

MHLONTLO LOCAL MUNICIPALITY



TARIFF POLICY

(FOR IMPLEMENTATION ON 1 JULY 2016)

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MHLONTLO LOCAL MUNICIPALITY
TARIFF POLICY

1. GENERAL INTRODUCTION AND OBJECTIVE

In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.

In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

2. DEFINITIONS

“Accounting officer” means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

“Annual budget” shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget.

“Basic municipal services” shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

“By-law” shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

“Chief financial officer” means a person designated in terms of section 80 (2) (a) of the Municipal Finance Management Act.

“Councillor” shall mean a member of the Council of the municipality.

“Domestic consumer or user” of municipal services shall mean the person or household which municipal services are rendered in respect of “residential property” as defined below.

“Financial year” shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

“Integrated development plan” shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

“Local community” or **“community”**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the

municipality, any civic organisations and non-governmental, private sector or labor organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

"Month" means one of twelve months of a calendar year.

"Municipality" or **"municipal area"** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

"The municipality" means Mhlontlo Local Municipality.

"Municipal council" or **"council"** shall mean the municipal council of Mhlontlo Local Municipality as referred to in Section 157(1) of the Constitution.

"Municipal manager" shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

"Multiple purposes" in relation to a property, shall mean the use of a property for more than one purpose.

"Municipal service" has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

"Municipal tariff" shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

"Rate" shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.

"Ratable property" shall mean property on which the municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

"Ratepayer" shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

"Rebate" in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property.

"Residential property" shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential.

"Tariff" means a tariff for services which the Municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

3. GENERAL PRINCIPLES

Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).

- 3.1. The tariff structure of Mhlontlo municipality shall make provision of the following categories of customers :
 - Residential (domestic)
 - Commercial/ business
 - Institutional
 - Rural
 - Municipal
- 3.2. In line with the principles embodied in the Constitution, and other legislation pertaining to local government, such differentiation shall at all times be reasonable and fully disclosed in the annual budget.
- 3.3. The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region
- 3.4. Tariffs for the major services rendered by the municipality, namely refuse removal, shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 3.5. The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of approximately 5% for refuse removal services or such lesser percentage as the council may determine at the time that the annual operating budget is approved.
- 3.6. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

- 3.7. In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall at all times be reasonable and shall be fully disclosed in each annual budget.
- 3.8. The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.
- 3.9. The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

In considering the costing of its refuse removal services the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

- 3.10. In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

4. LEVYING OF TARRIFFS

- 4.1 The Council determines tariffs when approving its budget for a budget year. Council may determine tariffs during the course of the financial year only when:
- A new service is introduced.
 - No tariff for an existing service has previously been imposed.
- 4.2 Users will be treated equitably through differentiation for tariff purposes.
- 4.3 In terms of section 28 (6) of the MFMA Council may not increase tariffs during a financial year, except when required in terms of a financial recovery plan.
- 4.4 Council shall give authority to levy tariffs by passing a majority resolution during the budget approval process.

5. SUBSIDIZATION OF THE BASIC SERVICE TARIFF

- 5.1 Basic level consumption of any service may be subsidized by a higher level tariff, depending on legislative requirement.
- 5.2 Domestic consumers may have consumption subsidized from allocations received from National Income such as the Equitable Share.

6. DETERMINATION OF TARIFFS FOR MAJOR SERVICES

- 6.1 In order to determine the tariffs which must be charged for the supply of the major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:
- Depreciation expenses.
 - Maintenance of infrastructure and other fixed assets.

- Administration and service costs, including:
 - service charges levied by other departments such as finance, human resources and legal services;
 - reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and obsolescence of stock.

6.2 It is essential to take into consideration the following needs while determining a tariff structure:-

- The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
- The need to ensure equality and fairness between user groups;
- The need for a practically implementable tariff;
- The need to use appropriate metering and provisioning technology;
- The need for an understandable tariff; and
- The user's ability to pay.

6.3 The cost of approved indigency relief measures.

7. REFUSE REMOVAL

7.1 The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

7.2 Tariff adjustments shall be effective from 1 July each year.

7.3 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

- Domestic and other users (once weekly removal).
- Business and other users (twice weekly removal).
- Business and other users (thrice weekly removal).
- Business and other (bulk consumers).
- Hospitals
- Government

7.4 Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget.

7.5 A fixed monthly charge shall be charged to the municipality's departments equal to the lowest (domestic) tariff.

8. PROPERTY RATES

8.1 Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the Mhlontlo Municipality.

9. SUNDRY TARIFFS

- 9.1 All other services offered by the Council are charged at a tariff as determined by the Council annually during the budget process. Tariffs should at least cover the basic cost of these services.

10. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 10.1 This policy shall be implemented once approved by Council. All future tariff charges must be considered in accordance with this policy.
- 10.2 In terms of section 17(1) (e) of the Municipal Finance Management Act this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

Signature

Date

Municipal Manager

Adopted by Council

Effective Date

